

August 24, 1976

CONGRESSIONAL RECORD — HOUSE

ment. Its payload will be almost twice that of the B-52. Also, because it is manned the B-1 can react to unanticipated events, both from a threat situation as well as bomb damage assessment.

The Arms Control and Disarmament Agency has had the following to say on the B-1:

The B-1 can be expected to enhance the US deterrent capability in the 1980's by its improved survivability, increased flexibility applied to a variety of missions and roles (especially limited nuclear contingency options), and a lesser sensitivity to future Soviet offensive and defensive threats. Improved accuracy in the delivery of a range of nuclear weapon types and yields could be expected to reduce unintended collateral damage and fatalities.

From every standpoint, I believe we must proceed with the B-1 bomber. As I pointed out in 1972, we should have placed the B-1 in production at that time. Inflation costs continue to be critical. Delay will make it that much worse. Overall defense expenditures on adjusted dollars have remained fairly constant in the last 15 years, even down some. The defense of our country is no place to cut.

On the keel of the nuclear aircraft carrier that bears the name of President Dwight Eisenhower are his great words:

Until war is eliminated from international relations, unpreparedness for it is well nigh as criminal as war itself.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Texas (Mr. GONZALEZ) is recognized for 5 minutes.

[Mr. GONZALEZ addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Illinois (Mr. ANNUNZIO) is recognized for 5 minutes.

[Mr. ANNUNZIO addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

TREASURY SECRETARY LAW AND ORDER WORDS NOT MATCHED BY DEEDS

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Ohio (Mr. VANIK) is recognized for 5 minutes.

Mr. VANIK. Mr. Speaker, in recent months, I have placed before the Congress and the public a record which plainly shows an utter disdain by the Treasury Department for one of its major responsibilities: law enforcement. Bold words and glittering generalities have been accompanied by massive inaction against organized and white-collar crime:

The narcotics traffickers tax program has been terminated despite strong congressional support.

The Treasury Department has refused to collect hundreds of millions of dollars in gambling taxes in cases turned over to Treasury by the Justice Department.

Drastic budget cuts and fund diversions have reduced the number of agents assigned to investigate tax evasion by narcotics traffickers, gamblers, and other racketeers by one-third.

Severe restrictions have been placed on the use of confidential funds to purchase information about tax cheaters who keep no books and records.

An important tool in tracing money laundering and illegal income was lost when the secret bank account question was removed from tax returns by the administration.

Treasury Department cooperation with the Justice Department Organized Crime Strike Forces has been curtailed.

Today, I would like to report on still another area of Treasury Department inaction in the field of law enforcement. The failure to pursue the fraud committed by giant corporations.

The Internal Revenue Service program to deal with huge corporations, with geographically disbursed books and records, is the coordinated examination—large case—program. The program includes approximately 1,200 corporations with gross assets in excess of \$250 million. A team of several Internal Revenue agents per corporation conduct these types of audits.

The corporations involved in the Securities and Exchange Commission and media disclosures of bribes or similar improper payments were virtually all within the large case audit program. The coverage of these corporations is 100 percent. That is, each corporation in this program is audited every year. I have written Secretary Simon and Commissioner Alexander several times since March 1, 1976, seeking an explanation for the failure of the Internal Revenue Service to uncover these frauds. Thus far, they have not furnished a satisfactory explanation.

Well over 100 U.S. corporations have acknowledged to the SEC that they had paid overseas or domestic bribes. Over a year ago, the IRS told Congress that at least 50 large corporations had been identified as being under investigation for claiming possible illegal deductions. Yet, not one of these cases has to date been referred by Treasury to the Justice Department for prosecution. Worse yet, Secretary Simon admitted to me in a letter dated June 3, 1976, that the IRS has not yet even asserted civil fraud penalties against these corporations.

I am not yet certain whether there is a failure in the structure of the large case program. I am certain that there is a failure of will.

An example of Secretary Simon's lack of support for his own agency's law enforcement program is well illustrated by an action which he took late last year. It involves Mr. Robert D. Rowan, a convicted tax evader, who was appointed and reappointed to serve on an honorary board of the Treasury Department.

Last year, the Government prosecuted and obtained the first criminal conviction of a major corporation and its officers in a tax case. The Fruehauf Corp., its chairman of the board, William E. Grace, and its president, Robert D. Rowan, were indicted and convicted of

conspiring to defraud the Treasury of \$12.3 million in Federal excise taxes. Both the corporate officers were fined and received jail sentences. In addition, the corporation was fined and back taxes and interest will be assessed. The fraud was uncovered as a result of a confidential source and not as a result of the large case audit program.

This should have been a victory in which the Treasury Department took pride. Instead, the victory was tarnished by Secretary Simon who treated a convicted felon, Mr. Rowan, as a person worthy of honor and respect.

In 1970, a Federal grand jury indicted Mr. Rowan, Mr. Grace, and the corporation itself. It alleged that they and two unindicted coconspirators had conspired to defraud the Treasury of \$12.3 million in Federal excise taxes between 1956 and 1965, the years of Mr. Rowan's stewardship of Fruehauf's financial affairs.

Mr. Rowan served as controller of the Fruehauf Corp. in 1955 and had risen to the position of vice president, finance, by 1965. In his positions with Fruehauf, Rowan was responsible for the accounting, tax and recordkeeping procedures of the corporation. Mr. Rowan was accused of having been an originator of a fraudulent, complex pricing and accounting scheme which included a fake wholesale price structure and nonexistent extra service charges to wholesalers. He and the others, the grand jury said, helped Fruehauf evade a substantial part of its excise tax liability by using a system of deceptive invoices.

Last year the Fruehauf Corp., Mr. Rowan and Mr. Grace were convicted of tax fraud after a 50-day-long trial. U.S. District Court Judge Thomas P. Thornton found that Mr. Rowan "willfully and unlawfully participated in the plan to evade a substantial part of Fruehauf Corp.'s excise tax liability by employing the deceptive invoicing procedures." According to Judge Thornton, Mr. Rowan "willfully and unlawfully conspired to defraud the United States by impeding, impairing, obstructing, and defeating the lawful governmental functions of the Internal Revenue Service of the Treasury Department of the United States in the ascertainment, computation, assessment, and collection of Federal manufacturers' excise taxes."

In late 1974, while the recommendation for prosecution was under consideration by the Government, Secretary Simon appointed Mr. Rowan chairman of a Detroit area U.S. Industrial Payroll Savings Committee. As the name suggests, the committee promotes the sale of Government savings bonds among workers at Detroit area industrial plants—including Fruehauf's—through the same payroll deduction mechanism by which their Federal income taxes are withheld. Even after Mr. Rowan was convicted, in a Treasury initiated prosecution, Treasury Secretary Simon reappointed Rowan as chairman of the savings bond committee.

It is fitting that the honorary position afforded Mr. Rowan was the chairmanship of an industrial payroll savings bond committee. Tax cheating, which

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the Treasury Department investigates and prosecutes, is a form of adding to the Nation's debt. The sale of Government savings bonds, which the Treasury Department promotes, is a means by which many ordinary citizens underwrite that debt. Mr. Rowan and his corporation stole from the Treasury and then asked the workers to make up the loss by loaning some of their hard earned wages to the Government.

I find it reprehensible that Secretary Simon has so little regard for his agency's law enforcement program that he would appoint a convicted felon to an honorary board. The criminal statutes that are within Secretary Simon's jurisdiction to enforce are the very laws that Mr. Rowan deliberately violated in the biggest corporate tax evasion conviction in history.

Secretary Simon's action is a slap in the face to our law enforcement officials. It is a clear and unmistakable signal to career Treasury employees that further efforts against major corporations will not be encouraged. They have gotten the message. The result is the failure of the large case audit program to uncover fraud committed by the giant corporations.

ETHIOPIA CONTINUES TO INTERN POLITICAL PRISONERS WITHOUT PROSPECT OF A FAIR TRIAL

The SPEAKER pro tempore. Under a previous order of the House the gentleman from Wisconsin (Mr. ASPIN) is recognized for 5 minutes.

Mr. ASPIN. Mr. Speaker, the military Government of Ethiopia continues to intern a number of political prisoners without any prospect of a fair trial on the horizon.

The situation was most thoroughly described in an article February 8th in the Observer of London by Mr. Colin Legum.

I believe that the Government of the United States should use its considerable leverage with the Government of Ethiopia to help persuade it to initiate fair trials for all political prisoners.

The executive branch always argues that arms sales are advantageous, because they give us leverage with foreign governments. Our sales to Ethiopia fiscal year 1976 have totaled \$109.4 million. If this leverage truly exists, then we should use it to help persuade the Government of Ethiopia to grant fair and speedy trials to political prisoners.

I have written to the Department of State to urge our Government to begin exerting additional pressure on Ethiopia to initiate fair and speedy trials for the prisoners involved.

I have also written to Mr. Sean McBride, an executive of Amnesty International which is a leading international group that seeks justice for all prisoners regardless of their political persuasions.

The Observer article, my letter to the State Department, and my letter to Mr. McBride follow:

Mr. ROBERT McCLOSKEY,
Assistant Secretary for Congressional Relations,
Department of State, Washington,
D.C.

DEAR Mr. McCLOSKEY: I am writing to you today concerning the imprisonment of a number of Ethiopians by the military government in that country.

I hope that you could provide me with specific information on the number of all political prisoners in Ethiopia today and the lengths of their internment. In addition, I am interested in learning the Department of State's assessment of the conditions in which they are being held and what trials, if any, are planned.

I understand that on several occasions the government of the United States has made specific representations to the government of Ethiopia that we believe that political prisoners should be given a speedy and fair trial. Apparently, our efforts with the government of Ethiopia have not gone beyond mere representations. Thus far, in fiscal year 1976 we have sold Ethiopia \$92.6 million worth of arms and granted credits for another \$15.8 million worth, or a grand total of \$109.4 million worth of weapons.

In view of our longstanding arms relations with Ethiopia and numerous other connections with that country, I hope that the government of the United States would begin exerting additional pressure on the government of Ethiopia to conduct fair and speedy trials.

The argument is often made by the executive branch that arms sales provide the government of the United States with "leverage." If this is true, we surely should have some leverage with the Ethiopians and should be able to persuade them to conduct speedy and fair trials of all political prisoners.

Thank you very much for your cooperation in this matter.

Sincerely,

LES ASPIN,
Member of Congress.

AUGUST 2, 1976.

SEAN MCBRIDE,
Amnesty International,
New York, N.Y.

DEAR Mr. MCBRIDE: I am writing to you today to request that Amnesty International investigate the plight of political prisoners in Ethiopia.

I am enclosing an article from February 8th's 1976 Observer by Colin Legum which describes the continued imprisonment and mistreatment of political prisoners in Ethiopia.

I have always greatly admired the work of Amnesty International and believe that it is one international organization that can help ease the plight of political prisoners regardless of their political persuasions.

I am enclosing a copy of a letter which I have sent to the United States Department of State urging my government to begin exerting additional pressure on Ethiopia to initiate fair and speedy trials for the prisoners involved.

Thank you very much for your consideration in this matter.

Respectfully,

LES ASPIN,
Member of Congress.

A ROYAL FAMILY
(By Colin Legum)

The late Emperor Haile Selassie's family are, quite literally, being allowed to rot in a prison appropriately named Alem Bekagne. It means "Finished with the World."

It holds 17 members of the royal family, aged from 14 to 73. They have been in custody for over 16 months. No specific charges have been made against them, and there are no prospects of a trial.

Among them are mothers of young children, whom they have not seen for a long time. Some are widows of men shot in the Bloody Saturday massacre of November 1974. Some have their husbands also in prison or in exile, so that their children are practically orphaned.

The "royals" are only one small group of Ethiopia's political prisoners, who now far exceed the numbers held during Haile Selassie's reign. Nobody knows for sure how many there are, but they certainly run into thousands. Although a few hundred have been released over the past year, many more have been arrested.

Their physical conditions are mostly scandalous—despite a recent promise of decent treatment from the Minister of Interior. Ethiopia's prisons have always been notoriously bad.

The only political prisoners who have tolerable physical conditions are the 100-200 former members of the Imperial Establishment held in the underground cellars of an ancient palace. This group also includes prominent academics and Marxist revolutionaries who, having originally supported the Dergue, have now joined their opponents.

Among the charges levelled against the late Emperor by the Dergue (Ethiopia's Provisional Military Administration Committee) was that he imprisoned his opponents without trial and was 'vengeful' towards them. Yet it would be hard to imagine anything more vengeful than the treatment now being meted out to the Emperor's family and to others regarded as 'enemies of the revolution.'

The oldest of the royal prisoners is Princess Yeshashe-Work Yilma, now 73 and a diabetic. There are doubts about how much longer she can survive prison life.

Princess Seble Desta, one of the most dynamic members of the old Establishment has not seen her three young children since her arrest last year, when her youngest child was only six months old. Her husband, the Dejazmatch Kassa Wolde-Mariam, a former chancellor of the Addis Ababa University, was arrested at the same time.

Princess Zuriash-Work Gebre Igylabbase, now in her sixties is the widow of Ras Asrate Kassa, the former chairman of the Crown Council and an adversary of the Emperor. He was shot on Bloody Saturday. She is in prison with two of her daughters—Rebecca, now 24, and Mimi, 18. Three of her sons are in a different prison—Mulugeta, 25, Kassa, 18, and Wond-Wossen, 16.

One young woman prisoner, recently—and inexplicably—released, told friends: 'All I wished for in prison was death, and all I still desire is to die to expunge the memory of what we have been through.'

One of the Emperor's grand-daughters, Princess Mary Abebe, did succeed in killing herself in prison. She was in her late thirties and had three boys under the age of 10. Her father was shot on Bloody Saturday.

Princess Sophia Desta has suffered a serious mental breakdown. At least one other prisoner has begun to show serious signs of psychiatric disorder.

The 40-year-old Princess Egigayehu Asfa Wossen is described by a friend who saw her six months ago as 'scratching herself to death.' She has always suffered from a serious skin allergy which needed constant care even under the best conditions.

The physical and emotional strains of prison life have seriously worsened her con-